



1650 Tysons Boulevard, Suite 200, McLean, Virginia 22102 (703) 506-3290 Fax (703) 506-3266

November 20, 1996

EX PARTE OR LATE FILED

Mr. William Caton
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

RECEIVED
NOV 25 1996
FCC MAIL ROOM

Re: Written Ex Parte GN Docket No. 96-113

Dear Mr. Caton:

American Women in Radio & Television Inc. hereby submits for filing in the above-referenced docket an original and one copy of:

- (1) a speech given by Sandra Goeken Martis before the National Women's Business Network; and
- (2) a report published by the National Foundation of Women Business Owners ("NFWBO") that examines recent experience in financing for women business owners.

In her speech, Ms. Goeken Martis identifies the important role of bidding incentives for women and minority companies in providing opportunities for women and minority-owned businesses in Personal Communications Services. The NFWBO report provides additional information on the financing climate for women-owned businesses. The report describes an improving financial climate for women-owned businesses. The results in the report also, however, demonstrate the continued need for a study by the Commission of women-owned companies in communications. A Commission-sponsored study is needed to determine whether the dramatic growth of women-owned businesses in general is mirrored in the communications industry and, if not, to identify and eliminate the market-entry barriers that women face in acquiring or forming communications companies.

No. of Copies rec'd
List ABCDE

021

Mr. William Caton
November 20, 1996
Page 2

If you have any questions regarding this filing, please call the undersigned at (202) 424-7653. Please date stamp and return the extra copy of the filing in the enclosed, self-addressed, stamped envelope.

Sincerely,


Shelley Spencer

Attachment

cc: Linda Haller
S. Jennell Trigg



WIRELESS WORKS, INC.

Innovative Applications In Communications

RECEIVED

11/25/96

FCC MAIL ROOM

August 27, 1996

Sandra Goeken Martis
Wireless Works, Inc.
1751 Diehl Road
Naperville, IL 60563

Communication technology has changed dramatically since the invention of the telephone by Alexander Graham Bell in 1876. In 1880 Bell sent the first wireless message. Even then the customer always wanted more. Wireless communications first introduction into the mass market was the CB Radio. With that device you could actually talk to someone else while in your car. Because of the mobile capability, it became an instant success. Shortly thereafter, beepers grew in popularity as a device that you could carry with you to receive information. This device gave you even greater mobility. But the trends of people wanting more continued.

The creation of cellular telephone service opened up a whole new era in wireless communication. From its introduction in Chicago in 1983 when the phone cost \$3,000 until today, we have seen explosive growth in customers from 100,000 at the end of 1984 to over 34 million today. Projections point to having in excess of 100 million customers using this service by the year 2000. All areas of wireless communication have grown. But people continually want more.

Continued advances in technology, and the allocation and auction of substantial additional telecommunications spectrum by the Federal Communications Commission have created the opportunity to dramatically change and increase communication options for business and individual consumers in the wireless arena. Over \$20,000,000,000 is being invested by existing telecommunications companies, as well as new entrants, to purchase the three largest block of six total blocks of spectrum for a new wireless service called Personal Communications Services (PCS). This service will allow existing business to transact in new ways, and new forms of business will emerge. On-demand transactions, coupled with location-independent marketing, will create an entirely new business paradigm.

Please note our new address: 1751 Diehl Road, Naperville, IL 60563

For the first time, the FCC was determined to see that smaller businesses, especially those owned by minorities and women, get a slice of the high-technology's 21st century pie. In the FCC's investigation, it was determined that small business employ 53% of the private work force and innovate at a per person rate twice that of large firms. The FCC chair, Reed Hundt, changes the label from "affirmative action" to a less baggage laden term "affirmative opportunity". The rule stated that business's with less than \$40 million in sales, as well as women and minority owned firms would receive reduced upfront payments, bidding credits, installment payment plans with favorable interest rates, and reduced down payments on winning bids., and in the case of women and minority, several other incentives were offered. The rule was created because women and minorities are seriously underrepresented in the high tech areas of telecommunications.

At the last minute the special preference for the minority and women had to dropped because of a recent Supreme Court ruling on affirmative action in the Adarand Constructors, Inc. Vs Pena which held that racial classification are subject to strict scrutiny. The FCC decided to treat all fledgling entrepreneurs the same. Although the FCC determined that the revisions were necessary under the circumstances, they also recognized that race and gender-based incentives may be sustainable with further development of the record. In Docket No. 96-113, the FCC was asking for comments on Section 257 Proceeding to Identify and Eliminate Market Entry Barriers for Small Businesses on whether small business owned by minorities and women experience unique market barriers.

The FCC has proven that when special incentives are provided to minority or women owned business, their success rate increases dramatically. In the nationwide frequency auction held in July, 1994, of the 29 qualified bidders, 30.4% claimed minorities or women owned status. No incentives were offered and none of the winners were from that group. In the fall of 1994 a similar action was held which offered incentives. Of the 28 qualified bidders, 66.3% claimed minority or women owned status. Of the nine winners, 55.5% were minority or women owned businesses.

The new world of PCS has just begun and existing cellular providers, both wireline and non-wireline, will be forced to become more competitive on many fronts.

Not only will they face the challenge of maintaining current subscriber base and market share, but they will need to compete much more vigorously to obtain future share.

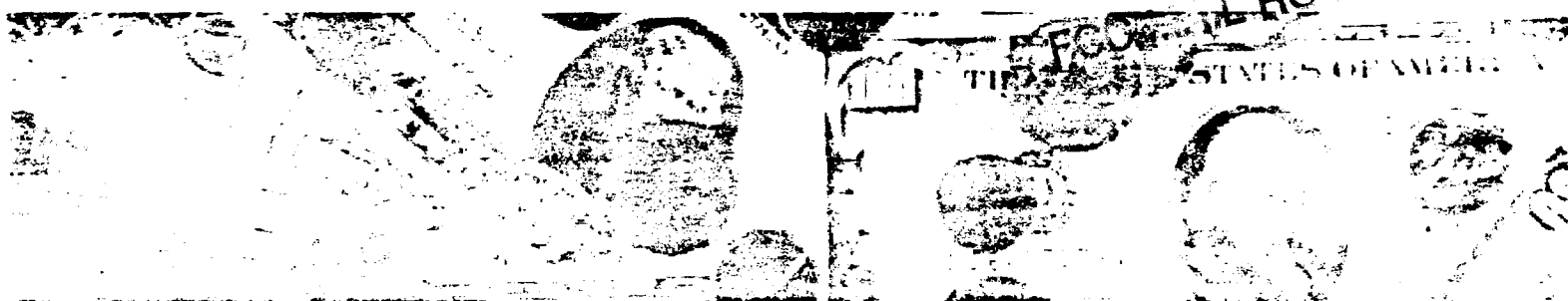
Cellular providers can lower their rates to compete on price, but this inevitably sacrifices margins for all players in a market. Or, more sophisticated providers can choose to compete and defensibly differentiate themselves by changing the playing field to include higher priced - greater value services. These providers reap the added benefit of expanding their market by tapping previously unexplored niches. In many instances, these providers will expand their revenue sources to include more than the simple flat rate per minute that is today's industry standard.

The attached presentation show the effect of new competition in the wireless arena and the need for tapping the niches which are refereed to as "Value Added Services".

I believe that the opportunities for women own business are great in this area. I have established such licenses, Wireless Works to take advantage of such opportunities. As my slides show, the niches are unlimited and the opportunities great. We all have opportunities to get into the high technology of the 21st century as the FCC desires.

Only one thing is certain, when it comes to communications, people always want more. We believe that PCS provides the opportunity to offer them more than they ever dreamed possible.

CAPITAL, CREDIT AND FINANCING



COMPARING WOMEN AND MEN BUSINESS OWNERS' SOURCES AND USES OF CAPITAL



CAPITAL, CREDIT AND FINANCING

COMPARING WOMEN AND MEN BUSINESS OWNERS' SOURCES AND USES OF CAPITAL

©NFWBO
THE NATIONAL FOUNDATION FOR WOMEN BUSINESS OWNERS
1100 WAYNE AVENUE, SUITE 830
SILVER SPRING, MD 20910-5603
TELEPHONE: (301) 495-4975
FAX: (301) 495-4979

OCTOBER, 1996

SPECIAL THANKS

This research was made possible thanks to the generous support of these corporate sponsors which recognize the vital role of women-owned businesses in this nation's economy:

PLATINUM UNDERWRITER **WELLS FARGO BANK**

One of the nation's largest and busiest consumer bankers, Wells Fargo provides a full range of banking services to commercial, agribusiness, real estate and small business customers. Wells Fargo operates through more than 1,800 branches, including 547 in-store branches; 4,100 round-the-clock Wells Fargo Express™ ATM's; and a popular 24-hour telephone banking service. In 1995, the Bank's Business Direct Division loaned more than \$1.4 billion to small businesses across the country through direct mail lending programs.



GOLD UNDERWRITER **AT&T CREDIT CORPORATION**

AT&T Credit is a unit of AT&T Capital, one of the world's leading diversified equipment leasing and finance companies, the single largest lessor of telecommunications equipment. The company provides leasing, financing and related services to approximately 500,000 small, mid-sized and large businesses in more than 20 countries.



CONTRIBUTOR **ERNST & YOUNG LLP**

Ernst & Young LLP is the leading integrated professional services firm in the U.S. with more than 21,000 people in 89 office locations.

ACKNOWLEDGMENTS

The research and resulting report were made possible by the collaboration and assistance of many people. On behalf of all women business owners who benefit from this research, thank you.

Advisory Committee

Many thanks to a special group of advisors who shared their insights and suggestions on the scope and content of our inquiry.

Gregory Elliehausen, Office of the Secretary, Federal Reserve Board

Fritz Elmendorf, Consumer Bankers Association

Lydia Kleiner, Office of Women's Business Ownership, U.S. Small Business Administration

Barbara R. Lowrey, Assistant Secretary of the Board, Federal Reserve Board

Bruce Phillips, Director, Office of Economic Research, U.S. Small Business Administration

Steering Committee

Nancy Clark, Director, Entrepreneur of the Year Program, Ernst & Young

Sylvia Hom, Assistant Vice President, Marketing Consultant, Wells Fargo Bank

Tom Phillips, Executive Vice President, Edelman Public Relations

Lucy Reid, Senior Vice President, Wells Fargo Bank

Melanie Rhodes, Market Research Manager, AT&T Credit Corporation

Eileen Scottoline, Senior Vice President, Wells Fargo Bank

Project Management and Analysis

Julie R. Weeks, NFWBO Director of Research

Marketing Research

Decision Insight, Inc.

Report Design

The Page Group, Inc.

Promotion

Bruce G. Rosenthal, NFWBO Communications and Public Relations Manager

Hager Sharp, Inc.

Editorial

Alexandra Harris

NFWBO

Susan Peterson, Chair

Sharon G. Hadary, Executive Director

The National Foundation for Women Business Owners (NFWBO) is a non-profit research, leadership development and entrepreneurial training foundation affiliated with the National Association of Women Business Owners (NAWBO). Its mission is to support the growth of women business owners and their organizations through gathering and sharing knowledge.

INTRODUCTION

Financing and other monetary matters have long been among the most central concerns of business owners nationwide. Capital is the lifeblood of any business, and concerns over access to capital have been strong in the small business community in recent years.

The National Foundation for Women Business Owners' 1993 report, *Financing the Business*, drew widespread attention with its findings that women business owners were more likely than the average business owner in the U.S. to report difficulties in working with their financial institutions, were nearly three times more likely to have used credit cards for business financing, and drew upon more sources than the average business owner to fulfill their business financing needs.

This study, *Capital, Credit and Financing*, updates and expands upon that study — taking an in-depth look at the current financial concerns of both women and men business owners, the uses to which capital is currently being put in their businesses, whether or not there are perceived problems with access to capital, and what differences may exist in these areas between women-owned and men-owned firms.

TABLE OF CONTENTS

Executive Summary	7
The Current State of Business Finance in the U.S.	8
Satisfaction with Capital Availability	8
Sources of Financing	10
Debt Financing	14
Recent Loan-Seeking Experience	18
The Banking Relationship	23
Sources of Financial Information and Advice	25
Start-Up Financing	27
Methodology	30
Statistical Tables	31



Audrey Rice Oliver, president
Integrated Business Solutions, Inc.
San Ramon, California
1995 Sales: \$12 million
Employees: 54 in headquarters office
Years in business: 12

Financing a business that involves new technologies and is owned by an African-American woman can be difficult. Though — with the sound of authority that comes from experience — Audrey Rice Oliver says "it's not an obstacle ... it's a challenge."

Audrey is President of Integrated Business Solutions, Inc., a software development, systems integration, and consulting company that she founded in 1984. Her \$12 million company has 54 "core" employees at its headquarters in San Ramon, California, 100 people on contract, and additional staff at offices in Chicago, San Francisco, and Washington, D.C.

Where did this enterprise get its start-up capital when Audrey founded the company 12 years ago? "Savings, family, inheritance and credit cards," she remembers.

Six years later, Integrated Business Solutions was receiving financing from the bank where the company had its business accounts. Now, Audrey notes, "it's easier;" she receives financing from several banks.

Audrey uses financing for two primary purposes. First, many of the company's projects are government contracts. Since payments are often not received until after portions of the projects are completed, she uses loans or lines of credit to provide financing until payments are received.

She also uses financing to pay for new, up-to-date equipment.

"The loan approval process," she explains, "has improved over the years as banks see that there is money to be made from small, women-owned businesses." Some banks even advertise that they're establishing relationships with growing businesses.

Audrey has made every effort to maximize these changes in the ways that banks finance businesses. She has a practical business plan that she presents to bankers who know and understand her field of business.

"I give bankers tours of my facilities and facilities where I manage projects. I talk with my bankers and keep them up-to-date about changes, risks, and opportunities," she explains.

In order to continually "grow" her company, and make the most professional presentations when seeking financing, Audrey relies on bankers for advice on trends, money management and investments, and her accountant for business advice.

EXECUTIVE SUMMARY

◆ **Access to capital has eased as a top concern for most business owners, women business owners included.**

In a list of eight key business concerns, access to capital for current business needs and access to capital for long-term business needs ranked 7th and 8th, respectively. Further, most business owners are satisfied with the amount of capital they have for business growth. Fully three-quarters of both women and men business owners state that they have enough capital for the continued growth and development of their business. The only group among whom dissatisfaction over access to capital is significantly higher than average is among minority business owners.

◆ **Business earnings are the primary source of financing for most businesses, followed by credit cards, commercial bank loans and private sources.**

The past four years has seen a marked increase among women-owned firms in the use of business earnings to finance business growth, and a significant decline in the use of credit cards, vendor credit and private sources for business financing. Women and men business owners do not currently differ significantly in the range of sources they use for business financing.

◆ **Just under half of businesses in the U.S. currently have a loan or line of credit for their business.**

There is no gender difference in whether or not a firm has bank credit, but there is a significant difference in the amount of capital obtained and the uses to which it is put. Women-owned firms have lower levels of bank credit than men-owned firms. Further, they are using credit primarily for business growth, while their male counterparts are more likely to be using credit to even out cash flow or consolidate debt.

◆ **Two-thirds of U.S. business owners have not sought financing within the past 12 months, and women business owners were less likely to have sought financing than men business owners.**

The experiences reported by those women business owners who did seek financing, however, show a marked improvement over the past four years. Compared with earlier surveys, fewer women business owners now report negative experiences when seeking financing.

◆ **Most businesses have relationships with more than one bank, although a majority of business owners say they have a primary financial institution.**

Although businesses are exploring new ways of accessing financial services, the most frequent contact with their bank remains visiting a branch and dealing with a teller.

◆ **Most business owners, regardless of the size of their firm, are very closely involved in financial matters in their firm.**

They consult a wide variety of sources for information and advice on financial matters — with women business owners drawing more regularly upon outside advice, and on specific financial advice from accountants and financial advisors, compared to men business owners.

◆ **The owners of the firms surveyed started their businesses with a median of between \$10,000 and \$25,000, only about one quarter of which was borrowed.**

The most frequently cited sources for borrowed start-up capital were commercial bank loans (47%) and family members (27%). Women business owners started their firms with about the same amount of capital as did men, but were more likely to have received their borrowed capital from a bank than were men business owners, and less likely to have obtained it from family members or friends.

THE CURRENT STATE OF BUSINESS FINANCE IN THE U.S.

Satisfaction with Capital Availability

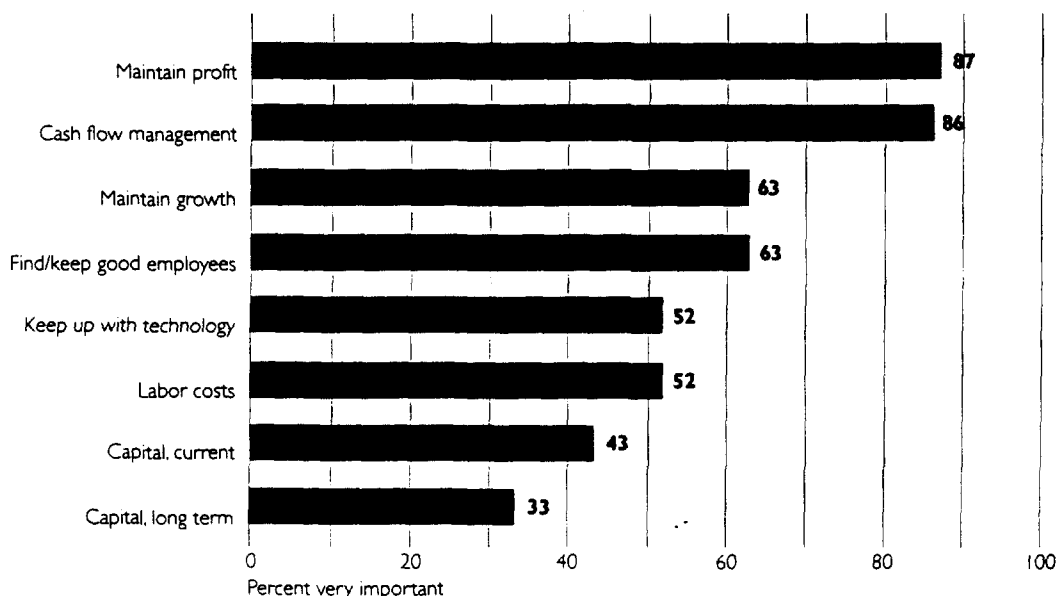
Access to capital has eased as a top concern for most business owners, women business owners included, but remains of greater than average importance to minority-owned businesses. Most business owners are satisfied with the amount of capital they have for business growth, but dissatisfaction is much higher than average among minority business owners.

The financial picture for many U.S. businesses is much better than that of a few years ago, when access to capital was a serious concern to business owners, and "credit crunch" was a term being used by many financial analysts.

Though financial issues continue to be dominant concerns among business owners across the country, access to capital — both for short-term and long-term business needs — is not currently an issue of paramount concern to business owners. Although 43% of business owners say access to capital for current business needs is a very important issue and one-third (33%) state that access to capital for long-term business needs is very important to them, maintaining business profitability (87%) and managing cash flow (86%) and several other issues outweigh access to capital in importance. In a list of eight key business concerns, access to capital for current business needs and access to capital for long-term business needs ranked 7th and 8th, respectively.

MONETARY ISSUES TOP BUSINESS CONCERNS, BUT ACCESS TO CAPITAL NOT CRITICAL ISSUE

NO DIFFERENCE BETWEEN WOMEN AND MEN-OWNED FIRMS



Additionally, in response to a direct question about whether they had enough capital for the continued growth and development of their business, fully three-quarters (76%) of business owners state that they do have adequate capital for business growth. Only 22% state that the capital they currently have available is not sufficient to sustain the growth of their business.

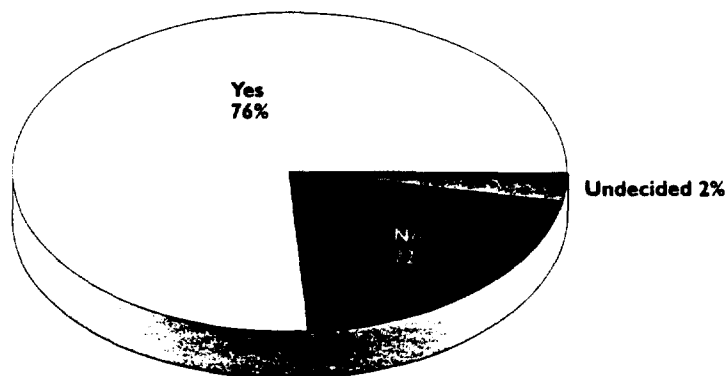
There is no significant difference between women-owned and men-owned businesses on the access to capital issue. Both women and men business owners place other business issues higher on their list of top concerns, and fully three quarters of each state that the capital currently available to them is adequate for their business' growth.

There is, however, significantly greater concern about access to capital issues among minority-owned businesses. A 51% majority of nonwhite business owners¹ state that access to capital for current business needs is a very important issue. 50% say it is an very important long-term business issue, and nearly one-third (32%) of minority business owners state that the capital they currently have available to them is inadequate for the growth and development of their business. Thus, while the concern over access to capital issues seems to have eased for most business owners — women business owners included — it is still of greater than average concern to minority-owned businesses.

MOST BUSINESS OWNERS FEEL THEY HAVE SUFFICIENT CAPITAL TO MAINTAIN BUSINESS GROWTH

BOTH WOMEN AND MEN BUSINESS OWNERS SATISFIED

Do you have enough capital for continued growth and development of your business?



Capital, Credit & Financing survey, © NFWBO 1996

¹Eleven percent (11%) of the business owners interviewed were nonwhite; thus there were not enough interviews to analyze Black, Hispanic, Asian and Native American groups separately.

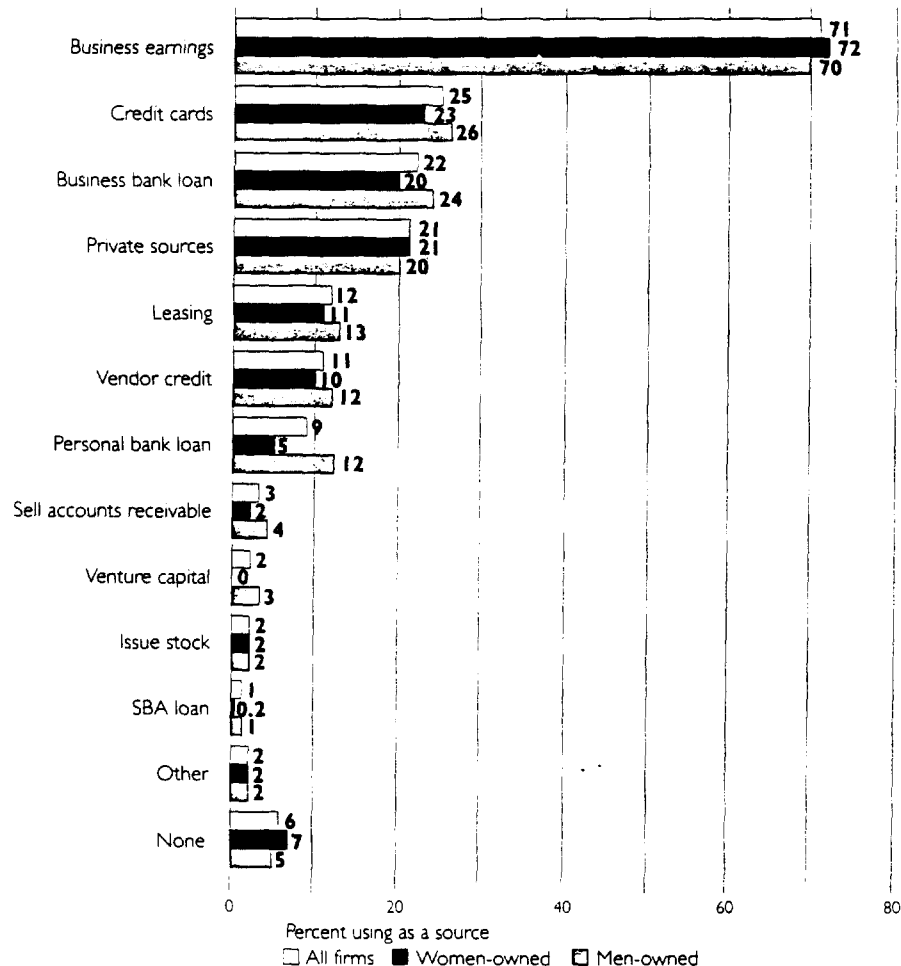
Source of Financing

Business earnings are the primary source of financing for most businesses, followed by credit cards, commercial bank loans and private sources. Women and men business owners do not differ significantly in their use of these sources; however, minority business owners are more likely than average to use credit cards and private sources — and less likely than average to use a commercial bank loan — for their current financing needs.

Most business owners rely on the earnings of their business and their own private resources for the capital they currently need to operate and grow their business. Over seven in ten (71%) business owners are currently reinvesting business earnings to foster business growth. One quarter (25%) are also using credit cards for their current business needs, 22% are using a commercial bank loan, and 21% are drawing on private sources, such as family or personal savings. Another 12% are using leasing as a means of business finance, 11% use vendor credit, and 9% have taken out a personal bank loan. All other sources of business finance are mentioned by 3% or fewer business owners.

BUSINESS EARNINGS MOST FREQUENTLY USED SOURCE OF FINANCING

WOMEN BUSINESS OWNERS LESS LIKELY TO USE LOANS



There are some interesting differences in the sources of business financing by age of firm and by owner characteristics. It appears that as a business matures, it is somewhat less likely to use business earnings as a source of financing and somewhat more likely than younger firms to use credit cards and commercial bank loans — perhaps because these sources become more available as a business achieves a financial track record.

There are few differences in the current sources of business finance between women and men-owned businesses. Women-owned firms are somewhat less likely than men-owned firms to be using credit cards and commercial bank loans for their current financing needs, but those differences may be related more strongly to business age — meaning that businesses with a longer track record may find it easier to obtain bank credit. Men business owners do appear more willing, or perhaps able, to take out personal bank loans to fund their business needs. Twelve percent (12%) of men business owners currently have a personal loan being used for business purposes, compared to just 5% of women business owners.

The differences between white and minority business owners in the types of financing currently used is, again, much greater than the differences between women and men. Minority business owners are much more likely than white business owners to use their own savings and credit cards to finance their current business needs, are more likely to use leasing, and are much less likely to use vendor credit or to have obtained either a business or personal bank loan to finance their business.

The past four years has seen a marked increase among women-owned firms in the use of business earnings to finance business growth, and a significant decline in the use of credit cards, vendor credit and private sources for business financing.

National surveys conducted by the NFWBO in 1994 and 1992 queried a nationally representative sample of women business owners² in similar fashion about the sources of current business

financing. There have been some quite remarkable changes in the past four years. First, women business owners are now much more likely to be able to reinvest business earnings as a means of financing growth—a sign of business maturation. Fully 72% of women business owners are now using business earnings as a source of financing, compared to just 38% in 1992.

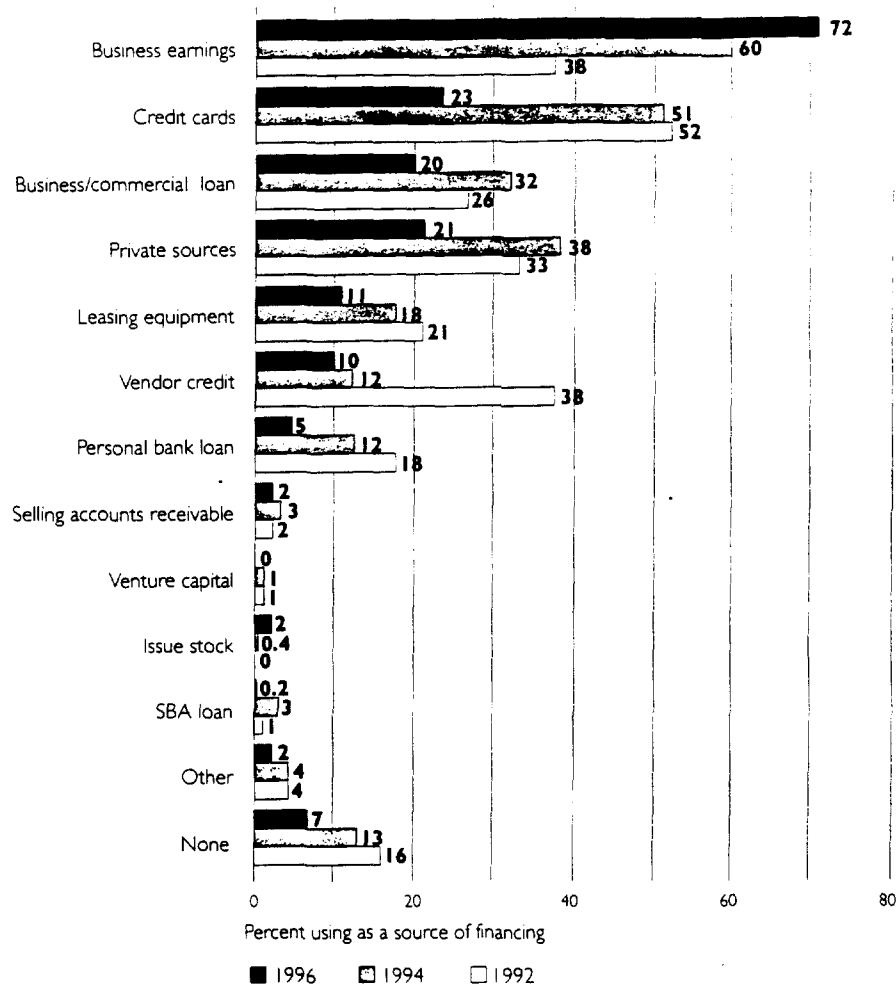
Consequently, women business owners are now much less reliant on credit cards, vendor credit and their own personal resources for business financing. The percentage of women business owners using credit cards for financing has dropped in half over the past two years, from 51% to 23%; the share relying on vendor credit has dropped by two-thirds since 1992, from 38% to 10%; and the share having to draw on private sources has declined from 38% in 1994 to 21% today.

Women business owners' use of business or commercial loans has remained about the same over the past four years (20% now compared to 26% in 1992), although their reliance on personal loans has dropped in half, from 18% to 5% in the last four years.

These findings show that women-owned businesses have matured a great deal in recent years. Their sources of business capital are now very similar to that of their male counterparts.

² Members of the National Association of Women Business Owners. See the **Methodology** section for further information.

MORE WOMEN-OWNED FIRMS RELYING ON BUSINESS EARNINGS, FEWER ON CREDIT CARDS



Capital, Credit & Financing survey. © NFWBO 1996



Janet L. Yellen, Board Member

Board of Governors of the Federal Reserve System

Washington, D.C.

"The democratization of credit," may become one of the biggest opportunities of the decade for women business owners, according to Janet Yellen, Board Member, Board of Governors of the Federal Reserve System. Increasing competition among entities offering financial service, advances in technology, and the need to cut costs are the driving forces in this change.

Competition is occurring on several fronts. First, there is a wider range of institutions offering financing and ways in which businesses can be financed. Women-owned businesses can obtain financing from a local bank, an out-of-state bank, a credit card offered by a telephone company or airline, or a public-private partnership. Securitization — pooling loans and selling them as a group — is being used to build bridges between financial institutions.

And competition is leading to the mass marketing of money. Dr. Yellen observed that thanks to technology, banks are beginning to offer business loans in the same ways they have been promoting and approving residential mortgages and credit cards: quickly and efficiently.

While banks are healthier than they have been in years, Dr. Yellen pointed out, the increase in competition is forcing them to widen their reach in their search for credit-worthy businesses. Small and women-owned businesses that may have received little attention from banks in the past are now of great interest to many financial institutions. Dr. Yellen also noted that there are an increasing number of women in senior positions in banks; these bank officers often have a good understanding of the needs of women business owners, and recognize women-owned businesses as an "untapped market."

Technology is having the same dramatic impact on credit and financing as it is having on business in general. The rapid availability of large quantities of credit information on computer databases allows banks to do in a matter of hours or days what formerly took weeks. Credit scoring lets banks determine the probability of a loan being repaid based on computer models of prior loans.

In some instances, a business person can phone in a loan request, and receive loan approval within 48 hours — with the loan amount and interest rate pegged to the business' or business owner's creditworthiness. In essence, "information and processing costs are going down due to technology," Dr. Yellen observed.

The need for banks to minimize expenses is working to the favor of small businesses. Banks have determined that they can streamline the loan-approval process by determining the creditworthiness of the business owner. If the individual is a good credit risk, then it's an "easy call," Dr. Yellen points out. The business should also be a good credit risk.

Is looking at individuals' credit standings as a bellwether of their businesses' creditworthiness disadvantageous for women and men business owners (and prospective business owners) who have an incomplete or less-than-satisfactory credit standing? Not really, says Federal Reserve Board Member Yellen. By implementing easier and less expensive ways of approving some loans, banks will be able to devote more time to rating others by traditional methods.

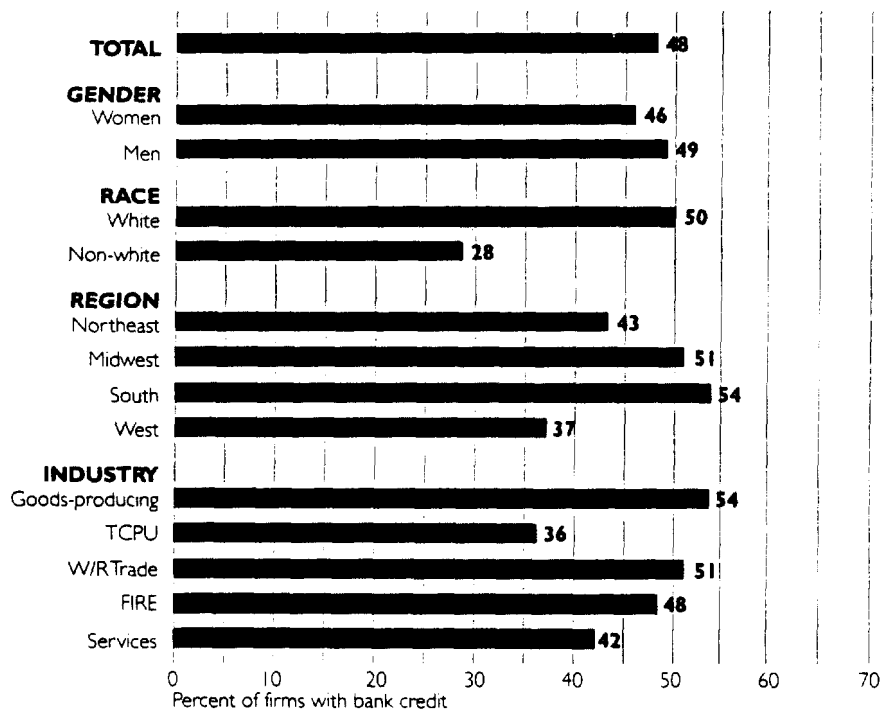
Debt Financing

Just under half of businesses in the U.S. currently have a loan or line of credit for their business. There is no gender difference in whether or not a firm has bank credit, but there is a significant difference in the amount of capital obtained and the uses to which it is put. Women-owned firms have lower levels of bank credit than men-owned firms, but they are using credit primarily for business growth, while their male counterparts are more likely to be using credit to even out cash flow or consolidate debt.

Forty-eight percent (48%) of businesses today have some form of bank credit for their business — such as a loan or a line of credit. Businesses with 20 or more employees, those that have been in business 10 or more years, and firms in goods-producing industries are among those most likely to have bank credit. Among those least likely to have bank credit include firms with no paid employees other than the owner, firms in the personal services sector, and minority-owned firms. One-third or fewer of the firms in these three groups currently have bank credit.

JUST UNDER HALF OF BUSINESSES HAVE BANK CREDIT

MINORITY-OWNED, NON-GOODS FIRMS LESS LIKELY THAN AVERAGE



TCPU=Transportation/Communications/Public Utilities
W/R= Wholesale/Retail
FIRE= Finance/Insurance/Real Estate

Capital, Credit & Financing survey, © NFWBO 1996

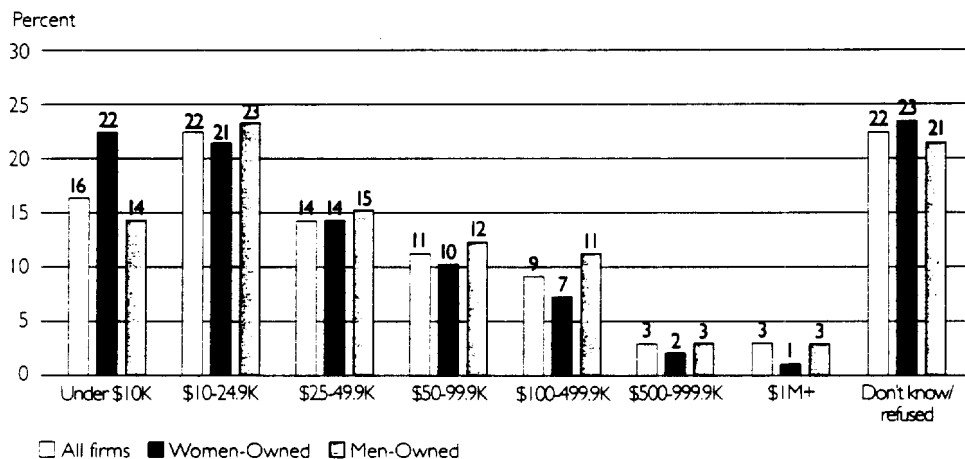
Among those firms that do have bank credit, the median amount of credit they have is between \$25,000 and \$50,000. Nearly four in ten (38%) have less than \$25,000 in credit, 14% have between \$25,000 and \$50,000, and 26% have \$50,000 or more in credit. One in five respondents (22%) declined to answer.

Although there is no gender difference in whether or not a firm has bank credit, there is a difference in the amount of credit obtained. Women-owned firms have lower levels of credit than do men-owned firms: 43% of women-owned firms have less than \$25,000 in bank credit compared to 37% of men-owned firms, and only 10% of women-owned firms have \$100,000 or more in bank credit compared to 17% of men-owned firms.

There is also a significant difference in *how* women and men business owners are using their available credit. Women-owned firms are significantly more likely to be using their bank credit for business expansion than men-owned firms (41% vs. 28%). More men-owned firms report using their bank credit more frequently for current operating expenses (30% among men-owned firms vs. 20% among women-owned firms) or for debt reduction (7% vs. 4%). It thus appears that, although women business owners may be more cautious about incurring debt than their male counterparts, they are using credit to grow their businesses rather than to provide a cash flow cushion.

MEDIAN AMOUNT OF BANK CREDIT IS BETWEEN \$25,000 AND \$50,000

WOMEN BUSINESS OWNERS HAVE SOMEWHAT LOWER LEVELS OF CREDIT AVAILABLE



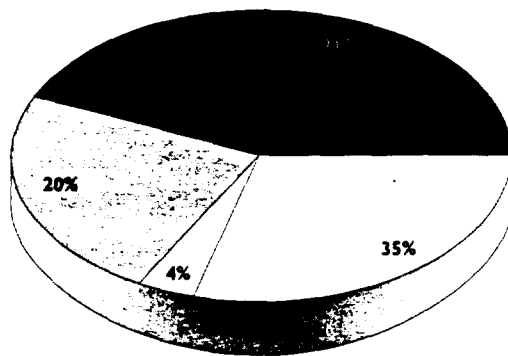
Capital, Credit & Financing survey © NFWBO 1996

Note: Among only those firms with bank credit.

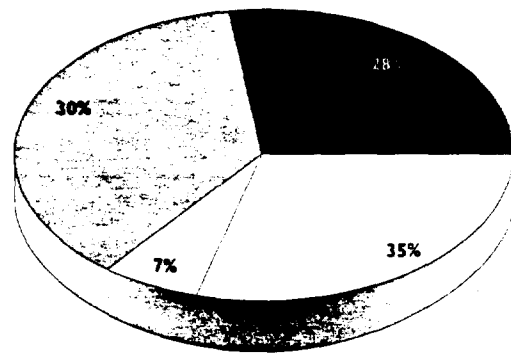
WOMEN BUSINESS OWNERS MORE LIKELY TO USE CREDIT FOR BUSINESS EXPANSION

MEN BUSINESS OWNERS USING CREDIT FOR OPERATING EXPENSES.
DEBT REDUCTION

How are you currently using your available credit?



Women-owned firms



Men-owned firms

■ Business expansion

□ Operating expenses

□ Debt reduction

□ Don't know/refused



Carla Stellweg, president

The Carla Stellweg Gallery

New York, NY

1995 Sales: \$400,000

Employees: 2 full-time, 3 part-time

Years in business: 7

After living and working in the arts in Mexico for 20 years, Carla Stellweg moved to the United States in the early 1980s. She became curator at the Museum of Contemporary Hispanic Art in New York City, and co-curated "The Latin American Spirit, Art & Artists in the U.S. 1920-1970" at the Bronx Museum, co-authoring the accompanying book. Prior to opening her own gallery specializing in contemporary international art from artists with a Latino background in 1989, Carla worked as a free-lance curatorial consultant and art writer.

As a curator, Carla introduced artists who today are fetching \$50,000 - \$60,000 a piece and higher. She realized that she had a very good eye for spotting talent, and that the only real opportunity for her to capitalize on that talent was to start her own business.

Boot-strapping her business with sales from the start, Carla took an affordable space across from the Guggenheim Museum in New York City. However, space costs are high in New York, and while visibility is important, the number and value of paintings that Carla would have to sell to maintain the increasing rent exceeded the production of the young artists she represented.

Carla tried to get funding through bank lending programs for small businesses without any luck. "Forget

it!" she says. "I had no collateral, nobody to co-sign as guarantor, and here I was a woman doing an independent venture in the arts ... my business was seen as too risky."

"The only time I was taken seriously and approved for a small business loan was when I applied to Wells Fargo earlier this year. And it was a breeze."

"What you need to do in the art world is communicate with potential collectors," Carla explained.

"Communication can take various forms, but for the most part it requires computer equipment. This is what I have used the loan for, and now I am creating a Web site on the Internet to establish a presence and visibility that will attract new artists and buyers."

Carla relies upon art journals, colleagues and auction statistics as sources of information to help guide her business. "Latin American art is the one area of art that has steadily increased in value at around 20% - 30% a year," she says, "so that if you invest in this art you can be sure of a swift appreciation in value. So I believe that as the economy improves more people will invest their discretionary income in this area. That is why we are now trying to raise our visibility — to let people know we exist."

Recent Loan-Seeking Experience

Two-thirds of U.S. business owners have not sought financing within the past 12 months, and women business owners were less likely to have sought financing than men business owners. The experiences reported by those women business owners who did seek financing, however, show a marked improvement over the past four years. Compared with earlier surveys, fewer women business owners now report negative experiences when seeking financing.

Not only do somewhat less than half of U.S. businesses currently have any form of bank credit, just one-third (32%) have sought financing within the past year. Fully 67% of business

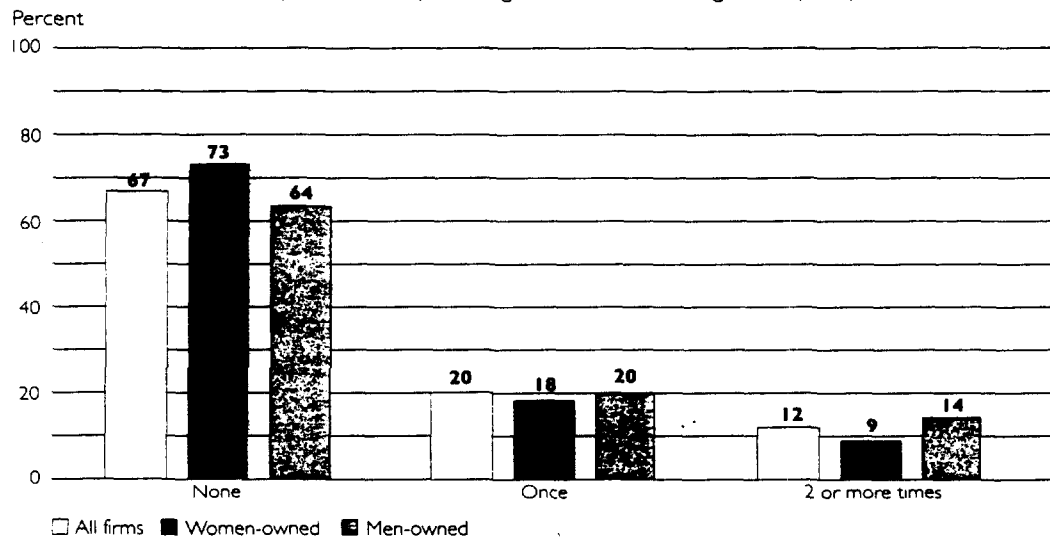
owners report that they have not sought financing within the past year, 20% report seeking it out once, and 12% have "gone to the well" two times or more within the past year. The only group among whom a majority sought financing in the past year were 20+ employee firms. Just over half of those businesses sought financing within the past 12 months.

Among the business owners who have sought financing at least once in the past year, most have gone to only one financial institution. Nearly three-quarters (73%) have sought financing from a single source, 16% have gone to two sources, and only 9% have approached three or more lending institutions. Again, larger firms were not only more likely to have sought financing, they were also more likely to have shopped around to more than one financial institution.

MOST BUSINESS OWNERS DID NOT TRY TO OBTAIN FINANCING DURING PAST YEAR

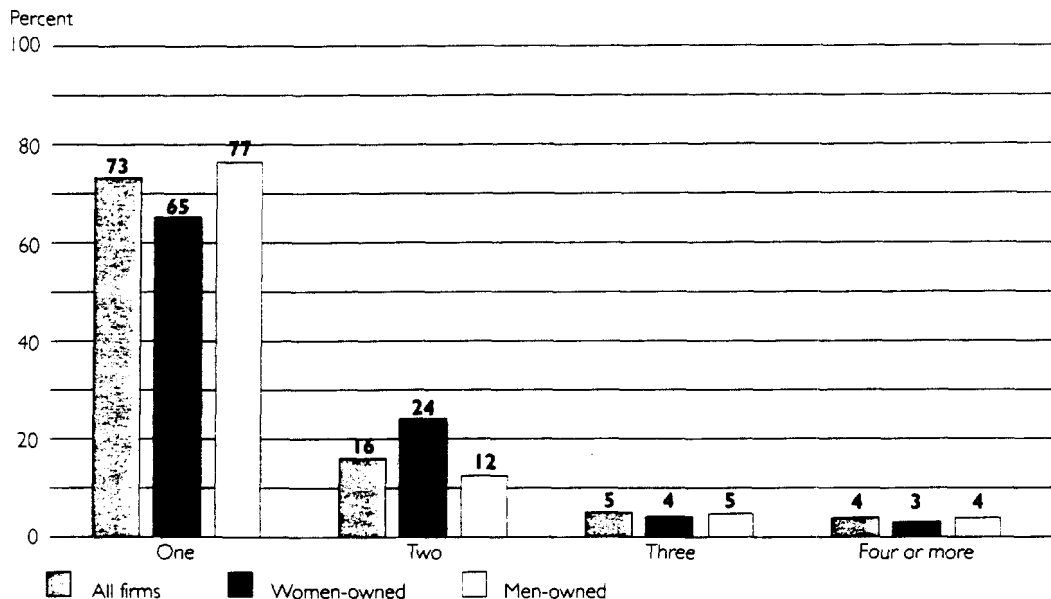
WOMEN BUSINESS OWNERS SOMEWHAT LESS LIKELY TO HAVE SOUGHT FINANCING THAN MEN

How many times have you sought business financing in the past year?



MOST BUSINESS OWNERS WHO SOUGHT FINANCING WENT TO SINGLE SOURCE

To how many different financial institutions did you apply?



Note: percentaged among those who sought financing
Capital, Credit & Financing survey, © NFWBO 1996

Women business owners were less likely to have sought financing than men business owners in the past year, but those who did seek financing were somewhat more likely to have gone to more than one source. Twenty-seven percent (27%) of women business owners sought financing in the past 12 months, and 31% went to more than one source, while 34% of men business owners sought financing, 21% from more than one source.

When queried about the situations they encountered when seeking financing, the most common complaint, mentioned by 22% of business owners who sought financing, was that

they could not find financing at a favorable interest rate. Other situations encountered by business owners who have sought financing include: being required to obtain a spouses (19%) or business partner's (13%) signature for loan approval, feeling the credit process was too complicated (15%), being denied financing due to limited collateral or assets (13%), or being told additional financial documents were required (7%). One in five (20%) of the non-white business owners say they perceived being mistreated because they were a minority, and 9% of the women perceived mistreatment because they were a woman.